M. LOEB LIMITED

FORTY SECOND

ANNUAL REPORT

FISCAL YEAR ENDED JANUARY 31, 1970

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 400 Industrial Avenue, Ottawa 8, Ontario at 11:00 A.M. on Friday, June 26, 1970. Shareholders are cordially invited to be present. Those unable to attend are urged to exercise their right to vote by proxy.

FRENCH VERSION — A French copy of this Report may be obtained by writing to the Secretary of the Company at 400 Industrial Avenue, Ottawa 8, Ontario.

VERSION FRANCAISE — On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 400 avenue Industrial, Ottawa 8, Ontario.

REPORT OF DIRECTORS

TO THE SHAREHOLDERS

Your directors are pleased to submit the Annual Report of the Company for the fiscal year ended January 31, 1970. Consolidated operating results are for the 53 week year ended January 31, 1970 with comparative figures for the 52 week year ended January 25, 1969.

SALES

Consolidated sales reached a record high of $413,933,730, an increase of $25,029,426 or 6% over 1968-69. All divisions of the Company contributed to the sales increase.

OPERATING RESULTS

Net income for the year amounted to $1,781,804 compared with $1,682,057 for the preceding year, an increase of $99,747 or 6%. Net earnings per common share after payment of preferred dividends amounted to 50¢ on 2,860,645 shares outstanding compared with 51¢ the previous year on 2,618,535 shares then outstanding. Net income for the year included net extraordinary income of $143,397, equivalent to 5¢ per common share. Had the Company continued its previous policy of recording depreciation on fixed assets without recognition of residual value, net income for the year would have decreased by approximately $100,000.

Earnings for the year were affected adversely by a number of factors. Competitive conditions in the retail supermarket industry and the general economic climate made it extremely difficult to adjust prices to cover cost increases. Increases in operating costs over which the Company had little if any control, such as those resulting from higher interest rates, salaries and taxes, could not be completely passed on to our customers. Non recurring expenses relating to the winding up of unprofitable operations also had an adverse effect on earnings. It cannot yet be said with certainty that costs have begun to level off or that the rate of cost increase is declining, although we believe that there are some hopeful signs.

FINANCIAL POSITION

The financial position of the Company improved materially during the past year. Despite an increase of $25,029,426 in sales, there was no appreciable increase in merchandise inventory. Bank loans were reduced by $2,300,000 and long term debt was reduced by over $4,000,000. Shareholders' equity increased by $1,650,000, with net book value per common share increasing by 12%. Long term debt has been reduced to 50% of shareholders' equity, from 90% at January 25, 1969. Adequate working capital of $9,400,000 has been maintained.

CANADIAN OPERATIONS

During the past year the Company continued its program of expansion through its six Canadian Distribution Centres. The IGA group continues to be the mainstay of the Company's operations but increasing emphasis is being given to the development of other types of retail outlets. Because of the high cost of money, land and construction, new store development was curtailed with additional sales being generated primarily through existing units. To accomplish this objective a more flexible merchandising program has been developed and sales have been increased by providing individual units with merchandising programs designed to meet particular local conditions.

Georges Painchaud Inc., a wholly owned subsidiary of M. Loeb Limited, engaged primarily in the distribution of tobacco products, acquired the Montreal branch of National Drug and Chemical Company of Canada Limited in May, 1969. The two Montreal operations have since been merged and moved to a 105,000 square foot warehouse in Montreal. Further diversification through the new Montreal supply depot is planned for 1970.

U.S. OPERATIONS

A number of factors lead us to believe that the losses incurred in the U.S. operations in 1969-70 will be the last major losses in these operations and that the turnaround point has finally been reached.

Subsequent to the year-end, sales volume through the Chicago Supply Depot was significantly increased, largely through supply arrangements entered into with three major corporate chains. Further sales increases may result from negotiations now underway.

The U.S. divisions are no longer engaged in any major retail operations, which accounted for a substantial part of the losses incurred in the last two years. None of the existing major customers of the U.S. divisions represent serious credit risks, which unfortunately was not the case in the past when credit losses were experienced.

Management changes in the U.S. operations have had a most positive effect on operating results. The Company will shortly be moving its Norfolk, Virginia, division to a larger warehouse to meet the demands placed on it by increased sales.

DIVERSIFIED DISTRIBUTION

Three groups of franchised stores are serviced and supplied by the Company and its subsidiaries. The largest stores are members of the IGA group while others are franchised as M/M (Much More or Meilleur Marché) or S/S (Silver Star) stores. Four K-Mart Food Stores in Canada are operated by the Company under license. Four more K-Mart units will be opened this year. Six retail "Warehouse Markets" are now in operation to meet the demand for lower prices and reduced service.

The Company's thirty-four Cash & Carry warehouses have become increasingly important as the number of small wholesalers has declined. Partly through these warehouses, the Company supplies thousands of independent merchants with a wide variety of products. The Company is becoming increasingly involved in supplying institutions, restaurants and fast food service outlets, whose share of the food business is becoming more important each year. Active promotion of the Company's own "Top Valu" products has continued, to the benefit of consumers and retailers as well as the Company.

BOARD OF DIRECTORS

We were glad to welcome to the Board of Directors at the last Annual Meeting of Shareholders, the Honourable Lionel Chevrier, who has had a distinguished career in Canadian public life both at home and abroad and who is now a partner in the legal firm of Geoffrion & Prud'homme, Montreal.

ORGANIZATION AND EXECUTIVE CHANGES

In 1969 the Company appointed Mr. Jack Rabinovitch, Senior Vice President, Canadian Operations and Mr. Morris Schachnow, Senior Vice President, U.S. Operations. Mr. Bernard Sarrazin Jr. and Mr. Patrick Kelley joined the Company as Vice President, Personnel and Public Relations and Director of Systems and Procedures, respectively. Organizational changes embodying revised concepts of staff and division relationships and greater centralization of administrative functions are producing the desired results and it is expected that when fully implemented these plans will contribute to overall Company efficiency and profitability. An organization chart is reproduced in the Annual Report.

OUR EMPLOYEES

We wish to express our appreciation to our many employees for their continued loyalty and support throughout the past year. We have continued to promote from within the company whenever possible and greater emphasis has been given to a management development program designed to provide our employees with increased opportunities for advancement.

The Company is introducing a comprehensive program of employee benefits in its U.S. divisions, comparable to the program already in operation in Canada.

FUTURE OUTLOOK

Despite the continuing pressures of inflation and current competitive conditions within our industry, your directors are optimistic about the future prospects of the Company. There are ample opportunities for substantial sales increases through the Company's retail and wholesale outlets and through outlets serviced and supplied by the Company, even without further acquisitions. The U.S. divisions for the first time should contribute to overall Company earnings in the current year. We expect 1970-71 to be a good year for the Company.

Respectfully submitted on behalf of the board

Bertram Loeb

BERTRAM LOEB, *Chairman of the Board and President*

FRANCHISED AND CORPORATE RETAIL OUTLETS

Serviced and supplied through the Company's distribution facilities

IGA

M. Loeb Limited became the IGA supplier in Eastern Ontario in 1952. Sales through associated IGA Stores have increased many times since then and today represent the largest single element in consolidated sales. Franchised and corporately owned IGA retail supermarkets continue to lead the way in sales and service in many of the Company's operating areas, where IGA has become synonymous with large, conveniently located stores, carrying a wide range of merchandise, providing a high level of service to consumers.

Kmart FOOD

M. Loeb Limited became a licensed operator of K-Mart Food Stores in 1968. Four large units are now in operation and four more will open in 1970. The Company's association with the S.S. Kresge Company Limited, one of North America's leading department store organizations, should prove to be most rewarding in the years ahead. A rapid expansion program is now underway throughout Canada.

Warehouse Market WHOLESALE SELF SERVICE FOODMARKET

M. Loeb Limited opened its first Warehouse Market in 1968. Since that time, as a result of the success of the initial venture, additional units have been opened, primarily through conversion of existing retail outlets. The Warehouse Market is a high volume retail outlet which, with less service and variety than the conventional retail store, is able to pass on its lower costs to the consumer in the form of reduced prices.

MARCHES M/M FOODMARKETS

The first M/M Store supplied by M. Loeb Limited was opened in 1965. These stores, known as ''Much More'' or ''Meilleur Marché'', are smaller than IGA stores and separate merchandising, advertising and other services are provided for them. The IGA program has been increasingly tailored to meet the requirements of large stores and in the past year a number of smaller units have been converted to M/M, a trend which is likely to continue.

MARCHES S&S FOODMARKETS

M. Loeb Limited first began to supply Silver Star Stores in 1966. These stores are the smallest group-identified units supplied by the Company and are located primarily in rural areas. Silver Star Stores, like the members of other groups associated with M. Loeb Limited, enjoy the benefits of the mass purchasing power of their supplier. As a result of volume increases some of these units have been converted to M/M stores and it is expected that further conversions will be made.

Top Valu GASMARTS

The Company has owned and operated eight Top Valu Gasmarts in Ottawa and Eastern Ontario since 1968. Each unit is located close to an IGA Foodliner and both outlets benefit from co-ordinated merchandising and advertising programs. As a result of the success of the Gasmarts and of the first Top Valu Car Wash, opened in 1969, the Company plans to open additional units in 1970.

Consolidated Statement of

INCOME AND RETAINED EARNINGS

FISCAL YEAR ENDED JANUARY 31, 1970
(With comparative figures for the preceding fiscal year)

	Fifty-Three Weeks Ended January 31 1970	Fifty-Two Weeks Ended January 25 1969
SALES	$413,933,730	$388,904,304
COSTS AND OPERATING EXPENSES		
Cost of goods sold	377,037,311	355,436,352
Operating expenses	31,266,078	27,042,708
Depreciation on fixed assets	930,654	1,056,820
Amortization — franchise cost and other charges	41,868	41,940
Debenture interest	100,100	275,834
Interest on mortgages, notes and contracts payable	159,621	201,582
Bank interest	1,019,246	803,600
	410,554,878	384,858,836
Interest earned	313,850	364,037
	410,241,028	384,494,799
NET INCOME BEFORE TAXES	3,692,702	4,409,505
INCOME TAXES	2,054,295	2,727,448
NET INCOME BEFORE EXTRAORDINARY ITEMS	1,638,407	1,682,057
EXTRAORDINARY ITEMS	143,397	
NET INCOME FOR THE YEAR	1,781,804	1,682,057
RETAINED EARNINGS AT BEGINNING OF YEAR	4,055,136	4,741,865
	5,836,940	6,423,922
AMORTIZATION OF COST OF INTANGIBLE ASSETS OF SUBSIDIARIES	1,300,000	1,500,000
	4,536,940	4,923,922
DIVIDENDS PAID — Common	534,833	523,822
— Preferred	344,820	344,964
RETAINED EARNINGS AT END OF YEAR	$ 3,657,287	$ 4,055,136

See explanatory notes to Consolidated Financial Statements.

Consolidated Statement of

CHANGES IN WORKING CAPITAL

FISCAL YEAR ENDED JANUARY 31, 1970
(With comparative figures for the preceding fiscal year)

	Fifty-Three Weeks Ended January 31 1970	Fifty-Two Weeks Ended January 25 1969
WORKING CAPITAL WAS GENERATED THROUGH		
Profitable operations	$ 2,529,410	$ 2,882,944
Sale of common stock	2,054,110	18,465
Receipt of capital contribution (U.S. $1,000,000)	1,075,000	
Sale of fixed assets	2,159,635	360,552
Recovery of special refundable tax	60,035	16,293
Increase in bank loans not repayable within one year		2,588,489
	7,878,190	5,866,743
WORKING CAPITAL DECREASED BECAUSE OF		
Purchase of 6% Debentures of M. Loeb Corporation (net of discount)	2,054,110	
Other extraordinary items	531,000	
Acquisition of subsidiaries	131,506	3,045,288
Acquisition of fixed assets	2,784,537	2,300,454
Reduction of bank loans not repayable within one year	154,050	
Payment of common dividends	534,833	523,822
Payment of preferred dividends	344,820	344,964
Reduction of liabilities not due within one year	1,545,998	614,380
Other investments	87,823	46,833
	8,168,677	6,875,741
NET DECREASE IN WORKING CAPITAL	290,487	1,008,998
WORKING CAPITAL AT BEGINNING OF YEAR	9,694,509	10,703,507
WORKING CAPITAL AT END OF YEAR	$ 9,404,022	$ 9,694,509
DIVISION OF SALES REVENUE		
Cost of merchandise sold	91.1%	91.4%
Operating expenses (other than expenses not affecting working capital)	7.6%	6.9%
Net interest expense	0.2%	0.2%
Income taxes (based on taxable income)	0.5%	0.7%
Working capital generated	0.6%	0.8%
	100.0%	100.0%

Consolidated Statement of

FINANCIAL POSITION

JANUARY 31, 1970
(With comparative figures as at January 25, 1969)

	January 31 1970	January 25 1969
CURRENT ASSETS		
Cash	**$ 2,025,126**	$ 1,269,803
Accounts receivable, less allowance for doubtful accounts	**16,437,409**	15,689,900
Merchandise inventory, at cost	**20,882,093**	20,515,920
Advances for retail store development	**1,491,544**	1,948,146
Prepaid expenses	**1,125,073**	878,226
	41,961,245	40,301,995
SPECIAL REFUNDABLE TAX		60,035
INVESTMENTS AND OTHER ASSETS		
Investment in National Drug and Chemical Company of Canada Limited, at cost	**2,277,626**	2,277,626
Investments and advances, at cost	**387,447**	299,624
Unamortized franchise cost and other deferred charges	**381,344**	423,212
	3,046,417	3,000,462
FIXED ASSETS		
Equipment and fixtures, at cost	**9,480,827**	10,693,772
Land and buildings, at cost	**1,553,172**	1,171,269
Leasehold improvements, at cost	**2,922,803**	2,543,126
	13,956,802	14,408,167
Accumulated depreciation	**5,674,047**	5,922,592
	8,282,755	8,485,575
INTANGIBLE ASSETS OF SUBSIDIARIES, AT COST LESS AMORTIZATION	**2,571,171**	4,814,665
	$55,861,588	$56,662,732

Approved on behalf of the Board:
Norman A. Loeb, *Director* / Bertram Loeb, *Director*

	January 31 1970	January 25 1969
CURRENT LIABILITIES		
Bank loans—secured	$ 8,703,845	$10,856,000
Accounts payable and accrued liabilities	21,925,856	17,493,661
Income taxes payable	180,297	900,820
Current portion of liabilities not due within one year	1,747,225	1,357,005
	32,557,223	30,607,486
LIABILITIES NOT DUE WITHIN ONE YEAR		
Bank loans—secured	4,684,439	4,838,489
Mortgages, notes and contracts payable	1,545,750	1,143,769
6½% sinking fund debentures—Series A	1,375,000	1,500,000
6% notes payable (U.S. $695,800)		747,979
6% subordinated debentures (U.S. $2,538,145)		2,728,507
Note payable, June 30, 1972 (U.S. $1,000,000)		1,075,000
	7,605,189	12,033,744
DEFERRED INCOME TAXES	640,120	618,707
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized—		
6,000,000 common shares without par value		
150,000 preference shares with a par value of $50 each		
Issued and fully paid—		
2,860,645 common shares (1969—2,618,535)	5,410,519	3,348,909
119,825 preference shares (1969—119,975)	5,991,250	5,998,750
	11,401,769	9,347,659
Retained earnings	3,657,287	4,055,136
	15,059,056	13,402,795
	$55,861,588	$56,662,732

See explanatory notes to Consolidated Financial Statements.

EXPLANATORY NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 1970

Principles of Consolidation

All subsidiaries of M. Loeb Limited are wholly owned. The consolidated financial statements include the accounts of all subsidiaries.

The accounts of subsidiaries in the United States and U.S. dollar obligations of the parent company have been converted to Canadian dollars on the following basis:

Current assets and all liabilities at the exchange rate prevailing at January 31, 1970.

All assets, other than current assets, at the exchange rate prevailing at the date of acquisition of the subsidiaries (January 31, 1968) or at the date the asset was acquired, if that date was later.

Income and expenses (other than depreciation expense converted at the rates applicable to the related fixed assets) at the average rate of exchange for the fiscal year ended January 31, 1970.

National Drug and Chemical Company of Canada Limited is not a subsidiary of M. Loeb Limited and the results of its operations are therefore not included in the consolidated statement of income and retained earnings.

The investment in National Drug is shown in the consolidated statement of financial position at cost. Dividends of $39,808 received by M. Loeb Limited on the common and preferred shares of National Drug have been included in income for the year.

Accounts Receivable

Installments due beyond one year included in accounts receivable as at January 31, 1970 amounted to $4,637,072 (January 25, 1969 — $4,433,678).

Investment in National Drug

As at January 31, 1970 M. Loeb Limited owned 134,200 common and 21,605 convertible preferred shares, or 31.4% of the issued and outstanding common and preferred shares of National Drug and Chemical Company of Canada Limited and had effective control of that company.

The market value of the common and convertible preferred shares as at January 31, 1970 was $7.125 and $8.50 per share respectively.

Depreciation

In prior years fixed assets were deemed to have no residual value at the end of the amortization period and depreciation rates were therefore applied to the original cost. It became apparent in 1969 after careful analysis that the previous method of recording depreciation, without reference to a realistic residual value, if continued, would result in the understatement of net income.

If depreciation expense for the year had been recorded in the manner followed in prior years, net income for the year would have been decreased by approximately $100,000.

The estimated useful lives of the major categories of fixed assets are:

Trailers and diesel tractors — 8 years

Other automotive equipment — 5 years

Warehouse and office equipment — 10 years

Buildings — 40 years

Intangible Assets

During the year ended January 31, 1970, $1,300,000 of the intangible assets arising from the acquisition of subsidiaries was written off against retained earnings. In addition, intangible assets were reduced by the capital contribution of U.S. $1,000,000 made to M. Loeb Corporation by its former principal shareholder. In accordance with Company policy the balance will be written off over the next 2 years.

M. Loeb Corporation

On January 31, 1968 the Company acquired all the outstanding common shares and 6,000 of the 16,450 preferred shares of M. Loeb Corporation from the President and principal shareholder of M. Loeb Limited for U.S. $500,001 (Canadian $542,345). Under the purchase agreement payment for an additional 10,000 preferred shares was to have been made in June, 1972 for U.S. $1,000,000 (Canadian $1,075,000). The agreement also provided that on or before June 29, 1972 the corporation was to receive from its former principal shareholder, as a capital contribution, the lesser of (a) the amount by which the consolidated net profit of the corporation and its subsidiaries for the 4 year period ending January 29, 1972 is less than U.S. $2,000,000 or (b) the sum of U.S. $1,200,000.

On January 30, 1970, the Company purchased the remaining 10,000 preferred shares of M. Loeb Corporation for U.S. $1,000,000 and at the same time the former principal shareholder made a capital contribution of U.S. $1,000,000 to the corporation. On or before June 29, 1972, the corporation is to receive from its former principal shareholder, as a capital contribution, the lesser of (a) the amount by which the consolidated net profit of the corporation and its subsidiaries for the 4 year period ending January 29, 1972 is less than U.S. $1,000,000 or (b) the sum of U.S. $200,000. Should the consolidated net profit of the corporation and its subsidiaries for the 4 year period ending January 29, 1972 be in excess of U.S. $1,000,000, the amount of the excess will be repaid to the former principal shareholder on or before June 29, 1972, up to a maximum of U.S. $1,000,000.

6% Subordinated Debentures

During the year the 6% subordinated debentures of M. Loeb Corporation (face value U.S. $2,538,145) were purchased for a cash consideration equal to 75% of their face value ($2,054,110 Canadian), with no interest being paid subsequent to January 31, 1969. As part of the agreement, the holders, or companies associated with them, subscribed for 241,660 common shares from the treasury of M. Loeb Limited at a price of $8.50 Canadian per share, paid in cash, for an aggregate consideration of $2,054,110 Canadian.

6½% Sinking Fund Debentures-Series A

The debentures are redeemable out of sinking fund monies at the principal amount plus a premium of 1½% if redeemed before May 1, 1973, the premium thereafter decreasing ½% each three year period to May 1, 1979. Redemption otherwise than out of sinking fund monies requires a premium double that which would be payable if redemption were out of the sinking fund. A sum sufficient to retire $125,000 principal amount of debentures is required to be set aside annually.

Discount and expenses on the issue of the debentures are being amortized over the term of the debentures.

Income Taxes

Income taxes payable by the Company are greater than would otherwise be the case because of losses incurred by certain subsidiaries which are not currently deductible for tax purposes. As at January 31, 1970, accumulated net operating loss carry forwards, available to reduce taxable income in future years, totalled approximately $3,550,000. The right to carry forward approximately $570,000 of this total expires on January 30, 1971, and the right to carry forward the balance expires progressively over the succeeding four years.

The Company has continued its practice of claiming maximum allowances for income tax purposes. The resulting reduction in current income taxes payable has been included in "deferred income taxes" to be taken into earnings when allowances for income tax purposes are less than the related expenses recorded in the accounts.

Subsequent to the year-end the Company received notices of income tax assessments amounting to approximately $85,000 in respect of the years 1966-67, 1967-68 and 1968-69. These assessments are being contested and it is considered that the Company has made adequate provision for any liability which may arise therefrom.

Extraordinary Items

The following extraordinary items were recorded in the accounts during the fiscal year ended January 31, 1970:

Discount of $674,397 on the purchase of the 6% subordinated debentures of M. Loeb Corporation. (See note — 6% SUBORDINATED DEBENTURES.)

An abnormal loss of $156,000, now under investigation, for which insurance recovery is questionable.

Operating losses, costs and expenses of $375,000 associated with a retail outlet of a type not normally operated by the Company which became responsible for its operations as a result of financial difficulties encountered by an associated retailer. This outlet was sold on February 23, 1970, and the above figure includes the loss on disposal and all other costs and operating losses to the date of sale.

Capital Stock

The 5¾% cumulative redeemable preference shares series "A" par value $50 per share, may be converted into common shares on the basis of 3 common shares for each series "A" convertible preference share, at any time on or before July 20, 1973. In the year commencing July 23, 1973 and each subsequent year the Company is obligated to purchase for cancellation an aggregate of 4,800 series "A" convertible preference shares so long as any are outstanding.

Share purchase warrants originally issued with the series "A" 6½% sinking fund debentures entitle the holder thereof to purchase shares on the basis of 45 shares in respect of each $1,000 debenture at a price of $6.66 2/3 per share if exercised on or before May 1, 1971.

Of the common shares authorized and unissued as at January 31, 1970, 359,475 shares were reserved for exercise of the conversion rights attached to the series "A" preference shares, 54,540 shares were reserved for exercise of share purchase warrants originally issued with series "A" debentures, 166,600 shares were reserved under an employee share option plan and 39,150 shares were reserved under the employees' stock purchase plan. As at January 31, 1970 there were 127,600 common shares under option at prices varying from $6.95 to $15.87 per share, including 85,500 shares for which options were granted during the fiscal year ended on that date. During the year options on 11,750 common shares were cancelled. During the year 450 common shares were issued on conversion of 150 preference shares, par value $7,500, and 241,660 common shares were issued for cash at a price of $8.50 per share for a total consideration of $2,054,110 in connection with the purchase of the 6% subordinated debentures of M. Loeb Corporation.

Contingent Liabilities

As at January 31, 1970 the Company was contingently liable:

In respect of trade paper under discount in the amount of $101,019.

As guarantor of bank loans and mortgages amounting to $2,526,192.

As guarantor of leases to retailers on rentals amounting to $598,345 to expiry of leases.

In the opinion of the directors, the Company has adequate security for any liability which may develop as a result of these guarantees.

Commitments Under Long Term Leases

Under long term leases in effect as at January 31, 1970 the Company is obligated to pay annual rentals aggregating $2,803,797 for its warehouse and other facilities, annual rentals aggregating $514,016 for rolling stock and retail store equipment and annual rentals aggregating $2,589,857 for retail stores subleased to retailers for annual rentals aggregating approximately the same amount.

Directors and Senior Officers

During the fiscal year ended January 31, 1970 the aggregate direct remuneration paid or payable by the Company and its subsidiaries to all directors and senior officers as a group was $514,380.

Auditors' Report to the Shareholders

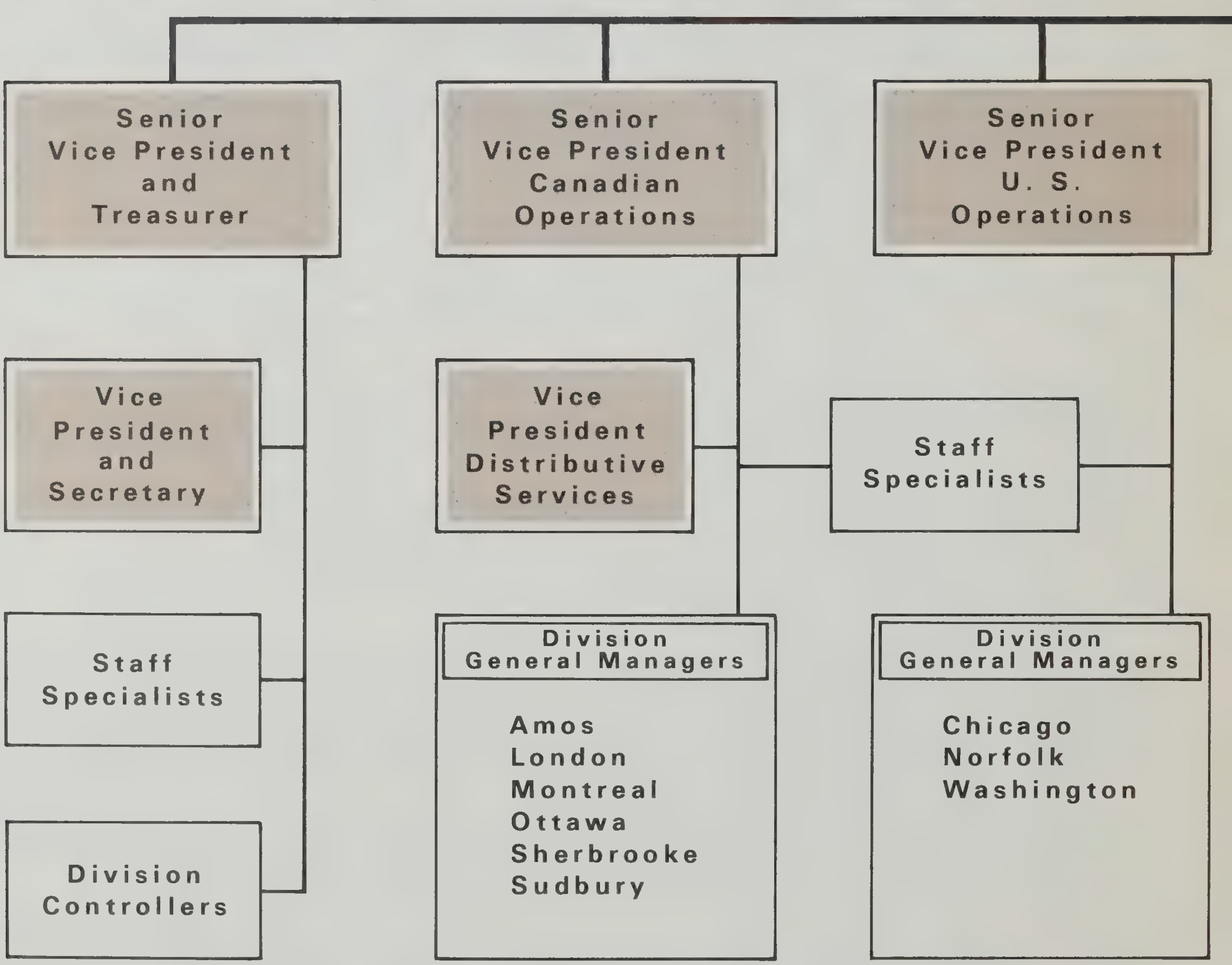
We have examined the consolidated statement of financial position of M. Loeb Limited as at January 31, 1970 and the consolidated statements of income and retained earnings and changes in working capital for the fiscal year then ended. Our examination of the financial statements of the parent company, M. Loeb Limited, and of those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our reliance on the reports of the auditors of the other subsidiaries was supplemented by a review of the scope of their examinations to ascertain their compliance with generally accepted auditing standards.

In our opinion these financial statements, supplemented by the notes thereto, present fairly the financial position of the companies as at January 31, 1970 and the results of their operations and the changes in their working capital for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

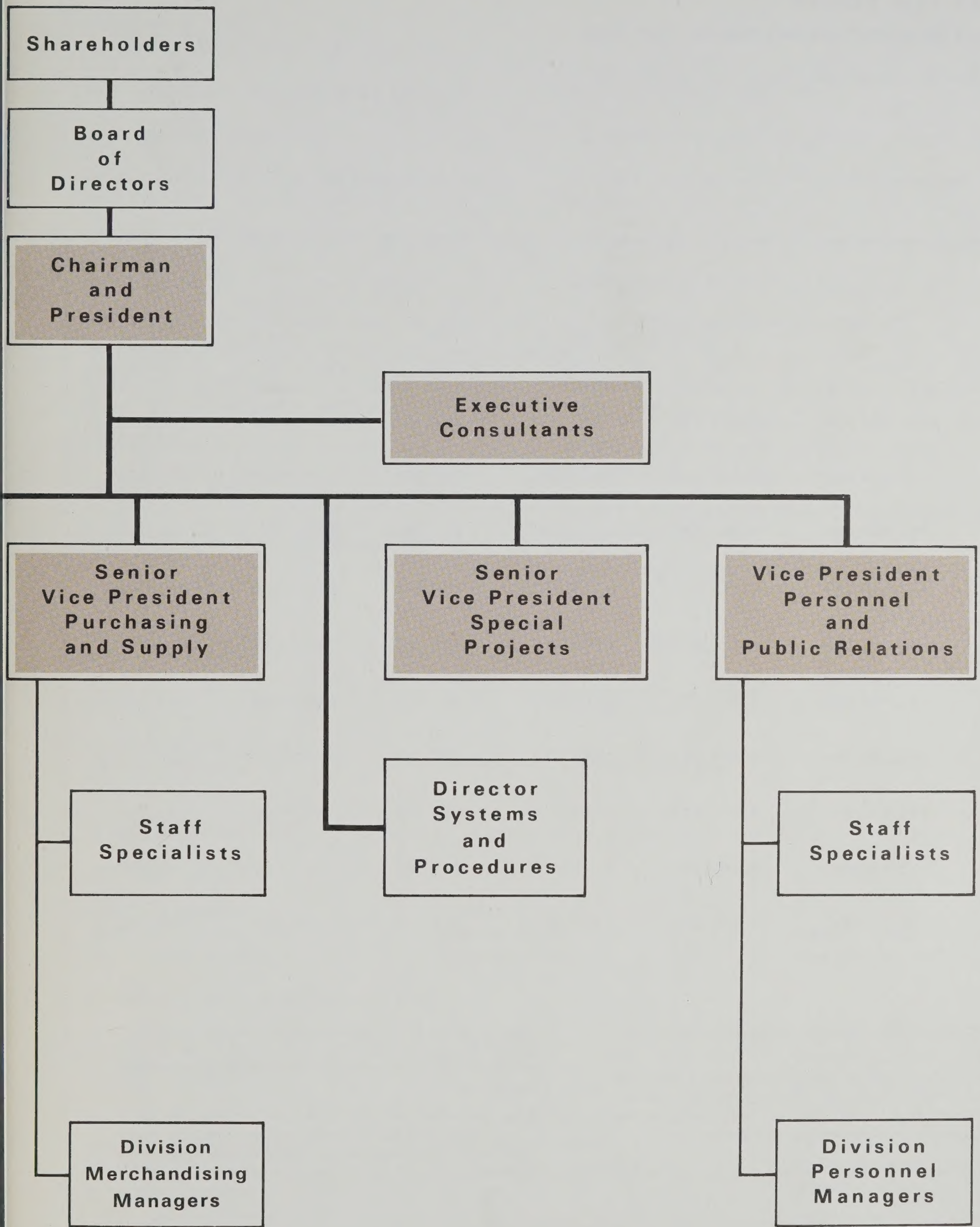
Price Waterhouse & Co

Chartered Accountants.
Ottawa
May 8, 1970

THE LOEB ORGANIZATION



Ancillary companies with specialized functions are the responsibility of the appropriate Vice President.


Shareholders
Board of Directors
Chairman and President
Executive Consultants
Senior Vice President Purchasing and Supply
Senior Vice President Special Projects
Vice President Personnel and Public Relations
Staff Specialists
Director Systems and Procedures
Staff Specialists
Division Merchandising Managers
Division Personnel Managers

THE LAST TEN YEARS

A SUMMARY OF COMPANY OPERATING RESULTS

Year	Sales	Gross Profit	Net Income Before Taxes*	Net Income After Taxes*	Working Capital Generated Through Profitable Operations**	Dividends Paid (P=Preferred)
1969-70	**$413,933,730**	**$36,896,419**	**$3,692,702**	**$1,638,407**	**$2,529,410**	**$534,833** **344,820(P)**
1968-69	388,904,304	33,467,952	4,409,505	1,682,057	2,882,944	523,822 344,964(P)
1967-68	251,590,489	19,191,602	5,004,454	2,447,989	3,274,113	390,987 345,000(P)
1966-67	233,930,784	16,956,047	4,133,260	2,106,619	2,541,261***	257,070 141,450(P)
1965-66	200,102,378	13,274,968	3,813,715	1,802,361	2,314,786	253,210
1964-65	173,055,271	11,357,150	3,001,008	1,435,322	1,907,323	249,297
1963-64	140,396,914	9,461,207	2,311,364	1,094,158	1,450,243	159,716
1962-63	102,572,754	6,598,549	1,380,506	652,726	847,146	158,870
1961-62	81,648,563	5,497,956	1,193,503	577,945	582,022****	155,500
1960-61	64,040,802	4,951,343	994,203	488,403	659,028	152,160

*Extraordinary items have not been reflected in this summary.

**Net income for the year, before depreciation, amortization and other charges not affecting working capital, after deduction of income taxes actually levied before any adjustment of deferred income taxes.

***Adjustments of prior years recorded in the year ended January 28, 1967 are not reflected in this summary, except that they have been taken into account in computing working capital generated through profitable operations.

****After deduction of $463,609 representing charges of a promotion and development nature, incurred in the fiscal year ended January 13, 1962, but partly deferred in the accounts as at the year end date.

BOARD OF DIRECTORS

HON. LIONEL CHEVRIER, P.C., Q.C., *Partner & Consultant, Geoffrion & Prud'homme*

DAVID A. GOLDEN, *President, Telesat Canada*

BERTRAM LOEB,* *Chairman*

DAVID B. LOEB, *Consultant, Real Estate Development President, Ottawa Football Club Limited*

NORMAN A. LOEB, *Chairman of the Advisory Committee*

DONALD J. McDONALD,* *Company Director*

WARD C. PITFIELD,* *President, Pitfield, Mackay, Ross & Company Limited*

HYMAN SOLOWAY, Q.C.,* *Senior Partner, Soloway, Wright, Houston, Galligan & McKimm, Ottawa*

* Member of the Executive Committee

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Montreal and Toronto

STOCK LISTED ON

Toronto Stock Exchange
Montreal Stock Exchange

BANKERS

The Royal Bank of Canada
The Bank of Montreal

CORPORATE OFFICERS

A. BOOKMAN, *Senior Vice President, Special Projects*

JEROME J. FISCHER, *Senior Vice President, General Manager, London Division*

T.C. GREIG, F.C.A., *Senior Vice President and Treasurer*

NORMAN LESH, *Senior Vice President, Purchasing and Supply*

BERTRAM LOEB, *Chairman of the Board and President*

JOHN McEACHRAN, *Vice President and Secretary*

JACK RABINOVITCH, *Senior Vice President, Canadian Operations*

BERNARD SARRAZIN JR., *Vice President, Personnel and Public Relations*

MORRIS SCHACHNOW, *Senior Vice President, U.S. Operations*

C. GLEN STRIKE, *Vice President, General Manager, Ottawa Division*

MICHAEL TOTH, *Vice President, Distributive Services*

AUDITORS

Price Waterhouse & Co.
(Parent Company and certain subsidiaries)

Peat, Marwick, Mitchell & Co.
(All other subsidiaries)

DISTRIBUTION CENTRES — *Servicing Retailers in Canada and the United States*

SUPPLY DEPOTS

Amos, Quebec
Montreal, Quebec
Sherbrooke, Quebec

London, Ontario
Ottawa, Ontario
Sudbury, Ontario

Chicago, Illinois
Norfolk, Virginia
Washington, D.C.

CASH & CARRY WAREHOUSES

Amos, Quebec
Chomedey, Quebec
Granby, Quebec

Hull, Quebec
Jacques Cartier, Quebec
Montreal, Quebec (2)
Noranda, Quebec

St. Jean, Quebec
St. Jerome, Quebec
Sherbrooke, Quebec

Brantford, Ontario
Brockville, Ontario
Chatham, Ontario

Cornwall, Ontario
Hamilton, Ontario
Hawkesbury, Ontario
London, Ontario

Ottawa, Ontario (3)
Pembroke, Ontario
Sarnia, Ontario

Sault Ste. Marie, Ontario
St. Catharines, Ontario
Sudbury, Ontario

Timmins, Ontario
Toronto, Ontario (2)
Vanier City, Ontario
Windsor, Ontario

Hammond, Indiana
Rockford, Illinois
Washington, D.C.

M. LOEB LIMITED, 400 INDUSTRIAL AVENUE, OTTAWA 8, ONTARIO, CANADA

DISTRIBUTION SPECIALISTS

Food, Tobacco Products, Drugs and General Merchandise